



SEATTLE EMPLOYEES' RETIREMENT SYSTEM NEWSLETTER

FOR ACTIVE AND RETIRED MEMBERS WINTER 97

1997 Cost-of-Living Adjustments

In addition to the 13th check paid to retirees in December of each year, some retirees will receive a COLA included with their July 1, 1997 retirement check which will restore the purchasing power of retirees pensions to 40% or their original value. Those retirees whose pensions now purchase less than 40% of what they did at the time of retirement will receive a one time payment to bring them to the 40% floor for 1997.

Administration of the Retirement System

A seven member Board has the responsibility of administering the plan. The members are the Chair of the Finance Committee of the City Council; the Executive Services Department Director; the Executive Services Department Personnel Director; three employee members (one of whom may be retired) elected by both active and retired members; and one member (not employed by the City), who is appointed by the other six board members. The Retirement System staff is under the direction of the Executive Director, who in turn reports to the Retirement Board.

The following are the members of the Retirement Board and the Executive Director:



Martha Choe
Chair



Dwight Dively
Treasurer



Sarah Welch
Secretary



Frank Mathews
Appointed Member



Peter Tenerelli
Elected Member



Kirk Jones
Elected Member



Jim Fletcher
Elected Member



Roger Howeller
Executive Director

New Retirement Options

All retirement allowances are guaranteed for the life of the retiree regardless of the length of the retirement. At the time of retirement the member may elect to modify his/her retirement allowance to provide for a beneficiary. The following option changes were adopted by the City Council and will become effective on March 26, 1997.

1.) Social Security Adjustment Option

This option allows a member who retires prior to the normal Social Security Age to receive retirement benefits that are modified so that the combined income from the Retirement System and Social Security is level throughout the member's lifetime. This means the System's payments are higher before the Social Security payments begin and then lower after they begin. Although the theory is that the member's income stream will be level, often it is not. This is because Social Security, and often the System as well, makes post retirement adjustments that upset the original "leveling out" feature of this option. This option would appeal to a member who retires early but still has significant financial obligations such as a mortgage, college tuition, or children still living at home.

2) Joint and Survivor with Pop-up

This is a variation of the joint and survivor form of payment. With the "pop-up" feature, if the beneficiary dies before the member, the member's benefit payment pops up to what it would have been had the member not elected to the joint and survivor feature. Under the normal joint and survivor option, the member elects a reduced monthly benefit in order to provide protection to a beneficiary. When the beneficiary dies before the member, the protection is of no further value, yet the member's benefit is still reduced. In a sense, the member has paid for something that will not be received. Under the pop-up version, the member's benefit is restored once the protection is no longer needed. The reduction for the joint and survivor with pop-up option is greater than for the normal joint and survivor option, again to cover the financial cost of providing additional benefits.

3) Lump Sum Payment

This option would allow members a partial lump sum payment at retirement which is equivalent to either the member's accumulated contributions with interest, or of one-half of this amount. The member normal monthly pension would be reduced by an amount to actuarially compensate for the funds withdrawn. This option would appeal to a member who wishes to purchase a home or has other needs for cash at the time of retirement, or the retiree may be confident he/she has the ability to earn more money than the pension reduction will cost him/her.

Examples

The following are examples of how the new options would affect a member's retirement allowance. These are examples only, as the amounts would be different for each member. Options F and G can be selected in addition to the other options.

Assumptions: The member's unmodified retirement allowance is \$2,000 per month. The member's retirement contributions are \$80,000. The member's Social Security estimate is \$1,000 per month.

Option D: The member's pension is reduced to \$1,800 and upon his/her death the spouse will receive \$900 per month for life. If the member's spouse predeceases him/her, then the member's pension increases to \$2,000 for life.

Option E: The member's pension is reduced to \$1,600 and upon his/her death the spouse will receive \$1,600 per month for life. If the member's spouse predeceases him/her then the member's pension increases to \$2,000 for life.

Option F: The member's pension is increased to \$2,500 and upon the member reaching the age of 65 the pension is reduced to \$1,500. The member receives \$2,500 total from Social Security and SCERS throughout retirement exclusive of COLAs.

Option G: The Member receives \$80,000 in cash and a pension of \$1,200 per month for life.

Retirement Fund investment Policy

The Retirement Board regularly conducts asset allocation studies to provide for diversification of the \$1,100,000,000 portfolio which will yield the highest investment return at a low level of risk. We retain investment managers to invest the funds in accordance with the asset allocation study. Our current asset allocation is 28% domestic fixed income, 33% domestic equities, 18% international equities, 11% international fixed income, 5% real estate, 2% cash, and 3% venture capital.

When a retiree dies the surviving spouse or other beneficiary needs to take the following actions relative to the Seattle City Employees' Retirement System:

- Contact the Retirement Office immediately;
- Send a copy of the Death Certificate (it does not have to be a certified copy);
- Surviving spouse/beneficiary will need to provide their Social Security number.

If the pension is continuing, the surviving spouse or beneficiary will need to decide on whether to continue medical coverage, direct deposit and/or adjusting the Federal Income Taxes withheld.

Seattle City Employees' Retirement System
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